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January 14, 2003

VIA ELECTRONIC SUBMISSION

Ms. Marlene H. Dortch
Secretary
Office of the Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: **Ex Parte Communication**
CC Docket No. 01-338

Dear Ms. Dortch:

On January 13, 2003, James C. Smith, Senior VP - FCC, Gary L. Phillips, and James K. Smith on behalf of SBC Communications, Inc. met with William Maher, Brent Olson, and Scott Bergmann of the Wireline Competition Bureau and Debra Weiner of the Office of General Counsel. The purpose of the meeting was to provide SBC's position on the "last mile" broadband investment. The attached presentation formed the basis for the discussion.

Pursuant to Section 1.1206(b) of the Commission's rules, this letter and the attached presentation are being electronically filed in the proceeding identified above.

Please call me if you have any questions regarding this matter.

Sincerely,

A handwritten signature in blue ink that reads "Jonathan J. Boynton". The signature is written in a cursive, flowing style.

Attachment



“Last Mile” Broadband Investment

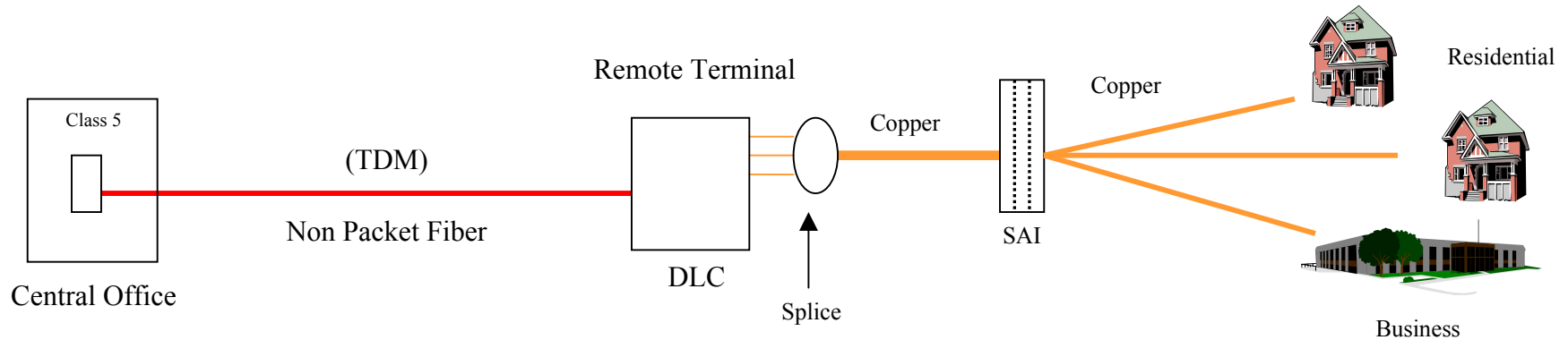
- All integrated packet/fiber broadband investment in the local loop should continue to be exempt from UNE regulation -- with no exceptions
- ILEC packet/fiber broadband loop investment should not deprive CLECs of access to non packet loop capabilities, including copper facilities, on a UNE basis consistent with “impairment” standard
- Dark fiber in loop should be removed from UNE list to facilitate fiber-to-the-home (FTTH) deployment
- FCC must establish a national framework that would prohibit states from extending UNE regulation to broadband packet/fiber loop investment

Benefits of SBC's Position



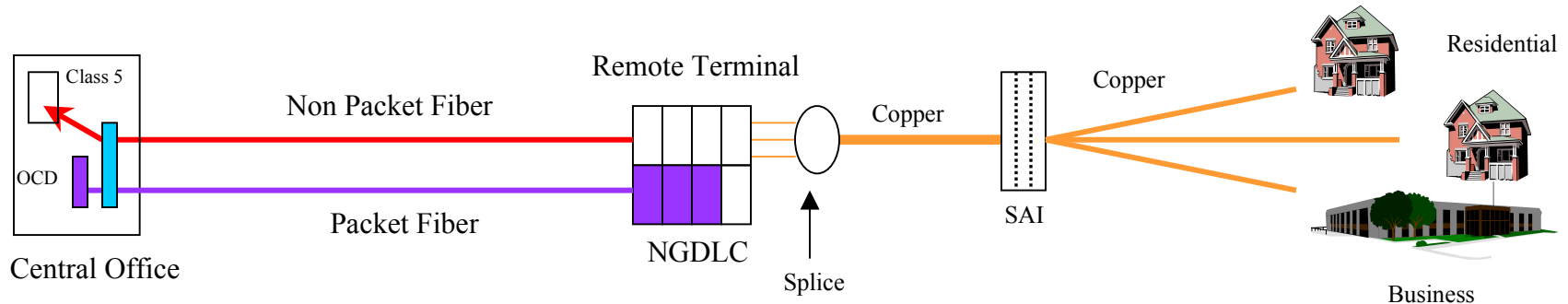
- Eliminates regulatory barriers to broadband investment and deployment
 - Avoids increased costs
 - Removes pricing constraints that unduly limit return on investment
 - Prevents cost disparity that would make new investment noncompetitive with cable
- Does not deprive CLECs of any options/capabilities that they currently have over the copper network
- SBC's Project Pronto provides increased opportunity for intra-modal competition over non packet facilities
 - UDLC capacity deployed for voice UNE
 - Provides additional facilities for non packet high capacity UNE loops

Hybrid Loop: What CLECs Have Access to Today



- CLECs get today:
 - Voice grade equivalent UNE where UDLC is available
 - High Capacity UNE loop, e.g., DS-1
 - ISDN UNE loop
 - Dark fiber between central office and remote terminal

Hybrid Loop: CLECs Benefit From Packet/Fiber Broadband Investment



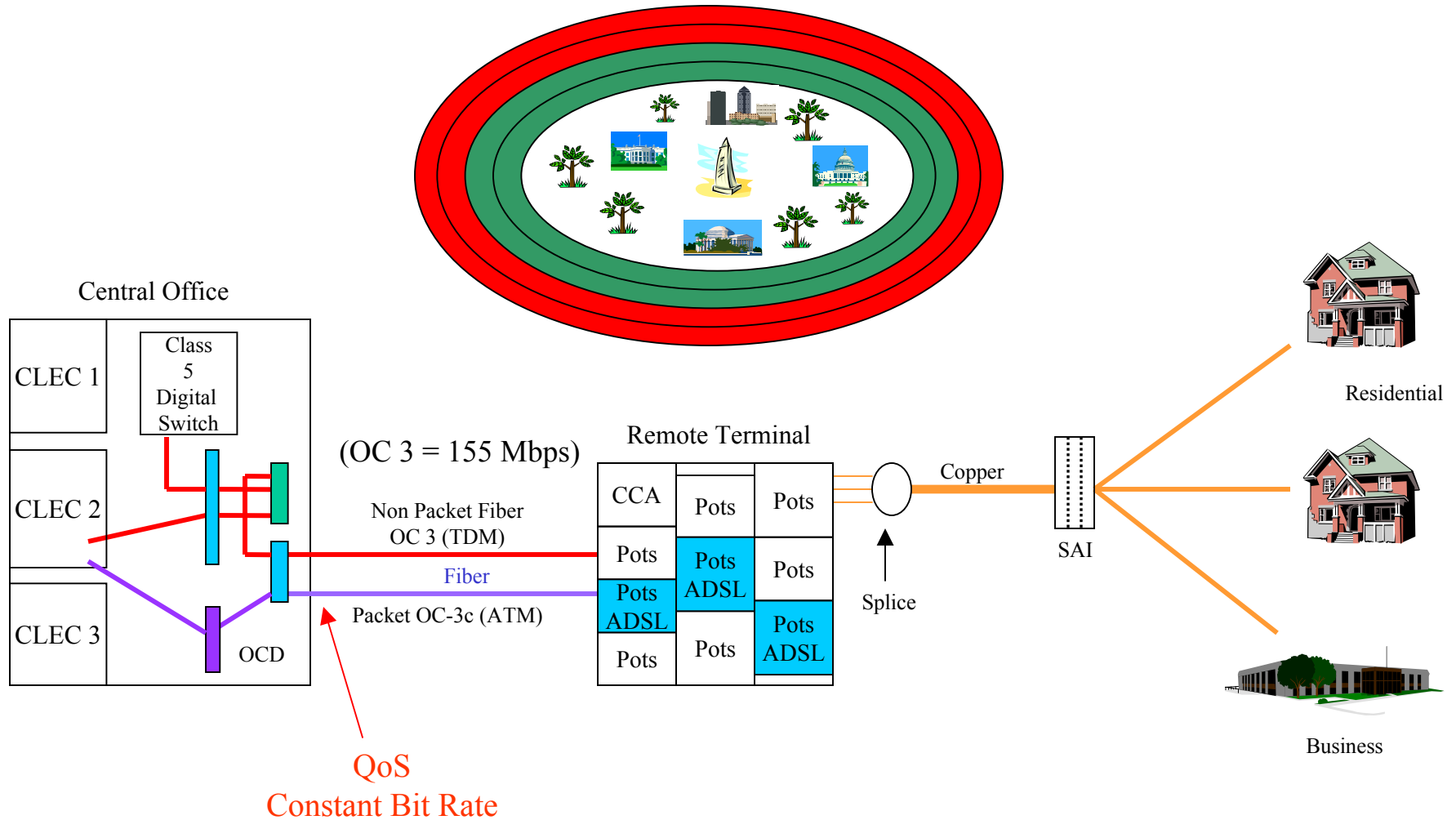
- Nothing taken away from CLECs to serve both residential and business customers, except dark fiber
 - All UNEs and network capabilities of non packet hybrid loop still available to CLECs consistent with “impairment” standard
- Additional benefits
 - Remote Terminals:
 - UDLC capacity deployed for voice UNE
 - Additional non packet high capacity loops available
 - Potential for increased business opportunities for CLECs through business-to-business commercial arrangements

Unbundling Packet/Fiber Loop Investment Would Limit Broadband Deployment

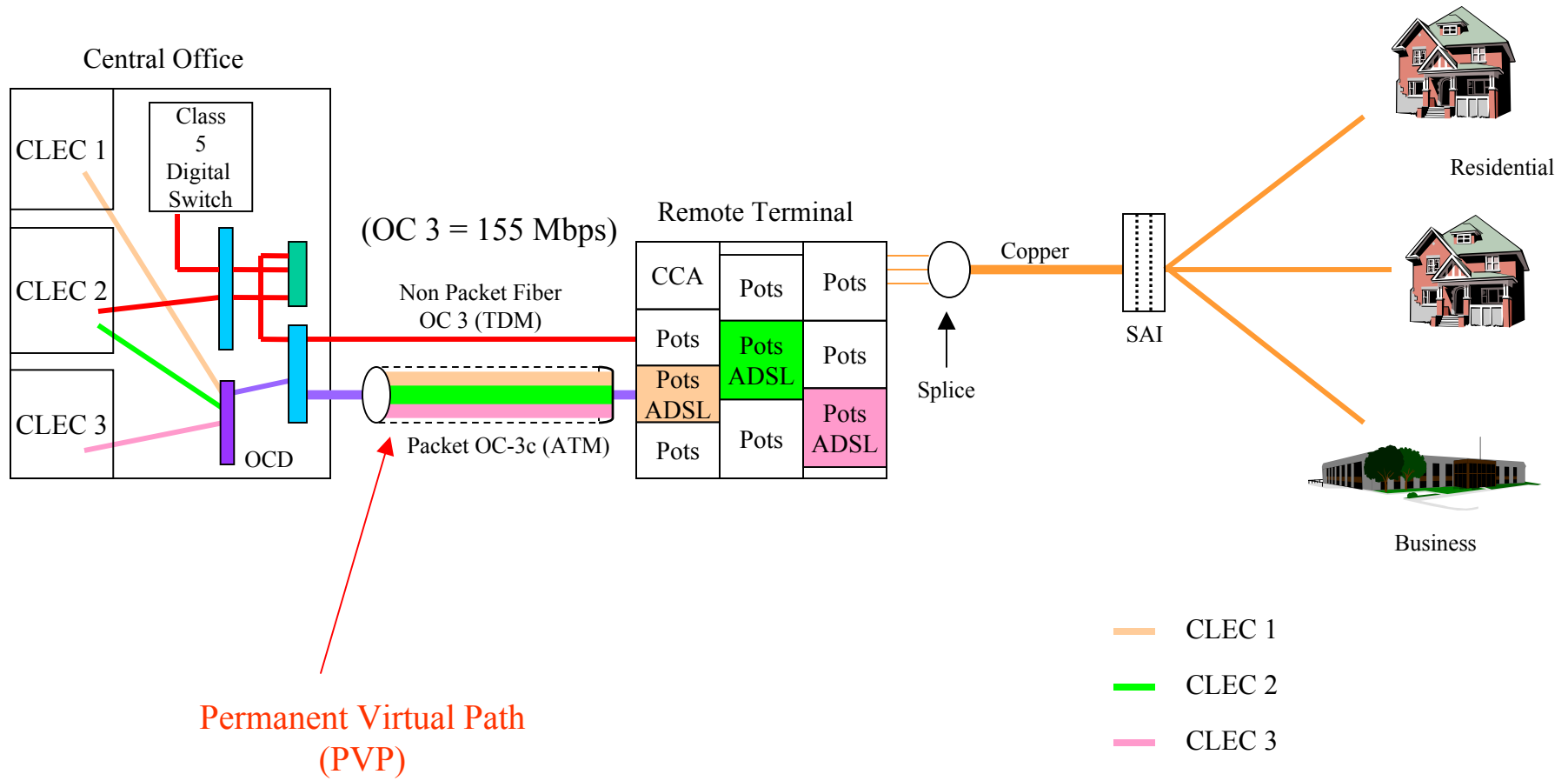


- Eliminates incentive to make risky investment in advanced services
 - Increases costs: infrastructure and operational
 - TELRIC wholesale pricing limits upside return on investment
 - Would require ILEC to deploy substantial amount of additional capacity
 - Deprives ILEC of control over its investment for intended purpose
 - Project Pronto deployment is designed primarily to provide ADSL to the mass market to compete with cable broadband
 - CLEC use for bandwidth intensive business applications would compel need for additional ILEC investment
- Guarantees cable's continued market dominance

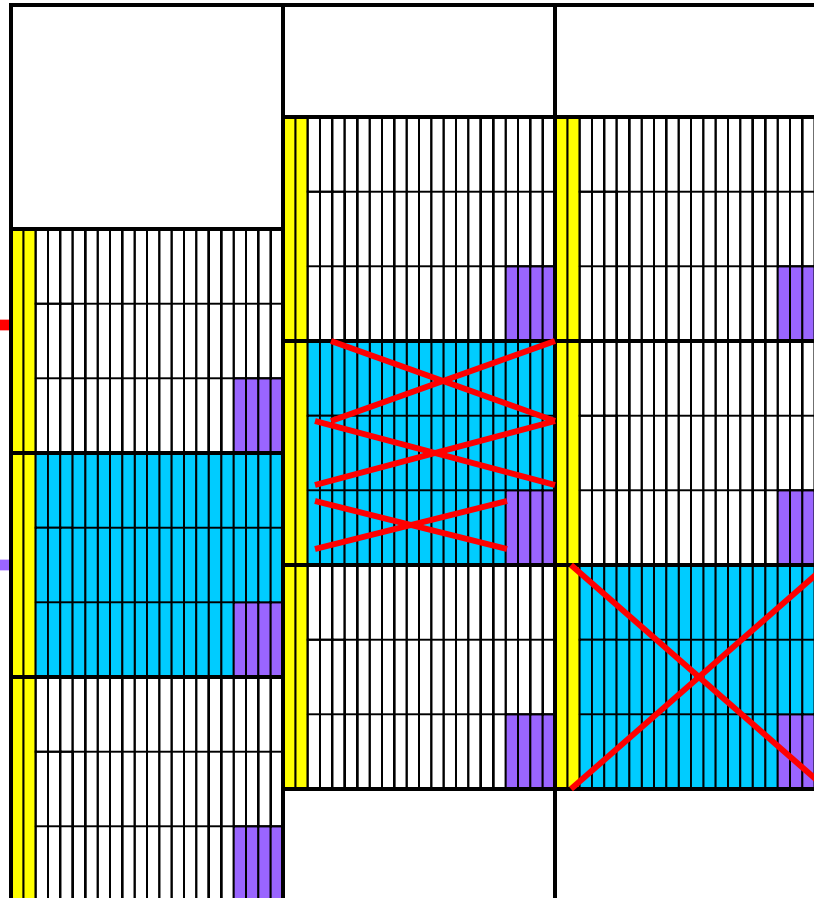
Pronto System Limitations



Pronto System Limitations



Pronto System Limitations



Key Point

- Inefficient use of limited RT capacity for packet
 - G.SHDSL (ATM): 58 Lines vs. 672

 Pots \ ADSL

G.SHDSL (ATM): Symmetrical 2.3 Mbps Line Card

Remove Dark Fiber in Loop From UNE List



- Cable already has robust broadband network that can deliver integrated package of voice, data, and video services
- In Order to match this package, ILECs would have to deploy FTTH
 - Hybrid network is a transition technology
 - Transition to FTTH starts with hybrid network
 - Economic deployment of FTTH requires efficient utilization of dark fiber

All Packet/Fiber Loop Investment Should Continue to be Exempt from UNE Regulation

